

Mrs. Martha Hughey, Assistant Vice President of Reimbursement
National Healthcare Corporation
100 East Vine Street
Murfreesboro, Tennessee 37130

Re: AC# 3-MLD-M8 – National Healthcare - Mauldin

Dear Mrs. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1998 through December 31, 1998. That report was used to set the rate covering the contract periods beginning July 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mrs. Martha Hughey, Assistant Vice President of Reimbursement
National Healthcare Corporation
100 East Vine Street
Murfreesboro, Tennessee 37130

Re: Draft Report – AC# 3-MLD-M8 – National Healthcare - Mauldin

Dear Mrs. Hughey:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Ms. Cathy Crumpler, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-MLD-M8 – National Healthcare - Mauldin

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Ms. Cathy Crumpler, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

NATIONAL HEALTHCARE - MAULDIN

MAULDIN, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING JULY 1, 1998
AC# 3-MLD-M8**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING JULY 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JULY 1, 1998 THROUGH SEPTEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 1998 THROUGH DECEMBER 31, 1998	B-3	6
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS JANUARY 1, 1999 THROUGH SEPTEMBER 30, 1999	B-4	7
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	B-5	8
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED DECEMBER 31, 1998 FOR THE CONTRACT PERIOD JULY 1, 1998 THROUGH SEPTEMBER 30, 1998	C-1	9
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED DECEMBER 31, 1998 FOR THE CONTRACT PERIODS OCTOBER 1, 1998 THROUGH DECEMBER 31, 1998	C-2	11
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED DECEMBER 31, 1998 FOR THE CONTRACT PERIODS JANUARY 1, 1999 THROUGH SEPTEMBER 30, 1999	C-3	13
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED DECEMBER 31, 1998 FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	C-4	15
ADJUSTMENT REPORT	1	17

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD JULY 1, 1998 THROUGH SEPTEMBER 30, 1998	2	20
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 1998 THROUGH DECEMBER 31, 1998	3	21
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS JANUARY 1, 1999 THROUGH SEPTEMBER 30, 1999	4	22
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	5	23

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 31, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcare - Mauldin for the contract periods beginning July 1, 1998, and for the six month cost report period ended December 31, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcare - Mauldin, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and National Healthcare - Mauldin dated as of July 1, 1998 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 31, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

NATIONAL HEALTHCARE - MAULDIN

Computation of Rate Change
For the Contract Periods
Beginning July 1, 1998
AC# 3-MLD-M8

	07/01/98 <u>09/30/98</u>	10/01/98 <u>11/30/98</u>	12/01/98 <u>12/31/98</u>	01/01/99 <u>09/30/99</u>	Beginning <u>10/01/99</u>
Interim reimbursement rate (1)	\$107.77	\$112.18	\$112.93	\$96.58	\$97.48
Adjusted reimbursement rate	<u>106.95</u>	<u>111.33</u>	<u>112.08</u>	<u>96.05</u>	<u>96.93</u>
Decrease in reimbursement rate	\$ <u>.82</u>	\$ <u>.85</u>	\$ <u>.85</u>	\$ <u>.53</u>	\$ <u>.55</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

NATIONAL HEALTHCARE - MAULDIN
Computation of Adjusted Reimbursement Rate
For the Contract Period July 1, 1998 Through September 30, 1998
AC# 3-MLD-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 72.28	\$48.28	
Dietary		14.37	10.90	
Laundry/Housekeeping/Maint.		<u>10.96</u>	<u>8.93</u>	
Subtotal	\$ <u>-</u>	97.61	68.11	\$ 68.11
Administration & Med. Records	\$ <u>-</u>	<u>14.86</u>	<u>11.13</u>	<u>11.13</u>
Subtotal		112.47	<u>\$79.24</u>	79.24
<u>Costs Not Subject to Standards:</u>				
Utilities		5.28		5.28
Special Services		1.67		1.67
Medical Supplies & Oxygen		3.87		3.87
Taxes and Insurance		2.25		2.25
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$125.54</u>		92.31
Inflation Factor (N/A)				-
Cost of Capital				14.14
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-on				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$106.95</u>

NATIONAL HEALTHCARE - MAULDIN
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-MLD-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 72.28	\$50.66	
Dietary		14.37	11.42	
Laundry/Housekeeping/Maint.		<u>10.96</u>	<u>9.32</u>	
Subtotal	\$ <u>-</u>	97.61	71.40	\$ 71.40
Administration & Med. Records	\$ <u>-</u>	<u>14.86</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		112.47	<u>\$83.96</u>	83.96
<u>Costs Not Subject to Standards:</u>				
Utilities		5.28		5.28
Special Services		1.67		1.67
Medical Supplies & Oxygen		3.87		3.87
Taxes and Insurance		2.25		2.25
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$125.54</u>		97.03
Inflation Factor (N/A)				-
Cost of Capital				14.05
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$111.33</u>

NATIONAL HEALTHCARE - MAULDIN
Computation of Adjusted Reimbursement Rate
For the Contract Period December 1, 1998 Through December 31, 1998
AC# 3-MLD-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 72.28	\$50.66	
Dietary		14.37	11.42	
Laundry/Housekeeping/Maint.		<u>10.96</u>	<u>9.32</u>	
Subtotal	\$ <u>-</u>	97.61	71.40	\$ 71.40
Administration & Med. Records	\$ <u>-</u>	<u>14.86</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		112.47	<u>\$83.96</u>	83.96
<u>Costs Not Subject to Standards:</u>				
Utilities		5.28		5.28
Special Services		1.67		1.67
Medical Supplies & Oxygen		3.87		3.87
Taxes and Insurance		2.25		2.25
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$125.54</u>		97.03
Inflation Factor (N/A)				-
Cost of Capital				14.05
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage & CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$112.08</u>

NATIONAL HEALTHCARE - MAULDIN
Computation of Adjusted Reimbursement Rate
For the Contract Periods January 1, 1999 Through September 30, 1999
AC# 3-MLD-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.27	\$41.87	
Dietary		11.98	9.44	
Laundry/Housekeeping/Maint.		<u>9.14</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	81.39	59.01	\$59.01
Administration & Med. Records	\$ <u>-</u>	<u>12.39</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		93.78	<u>\$69.39</u>	69.39
<u>Costs Not Subject to Standards:</u>				
Utilities		4.40		4.40
Special Services		1.39		1.39
Medical Supplies & Oxygen		3.37		3.37
Taxes and Insurance		1.88		1.88
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$104.82</u>		80.43
Inflation Factor (3.60%)				2.90
Cost of Capital				11.72
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage & CNA Add-On				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$96.05</u>

NATIONAL HEALTHCARE - MAULDIN
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 1999
AC# 3-MLD-M8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.27	\$40.23	
Dietary		11.98	9.69	
Laundry/Housekeeping/Maint.		<u>9.14</u>	<u>8.24</u>	
Subtotal	\$ <u>-</u>	81.39	58.16	\$58.16
Administration & Med. Records	\$ <u>-</u>	<u>12.39</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		93.78	<u>\$69.72</u>	69.72
<u>Costs Not Subject to Standards:</u>				
Utilities		4.40		4.40
Special Services		1.67		1.67
Medical Supplies & Oxygen		3.39		3.39
Taxes and Insurance		1.88		1.88
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$105.12</u>		81.06
Inflation Factor (3.00%)				2.43
Cost of Capital				11.53
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.16</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$96.93</u>

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Period July 1, 1998 Through September 30, 1998
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,196,769	\$ 763 (4) 230 (4)	-	\$1,197,762
Dietary	237,770	323 (4)	-	238,093
Laundry	45,631	-	-	45,631
Housekeeping	80,195	-	-	80,195
Maintenance	55,737	90 (4)	-	55,827
Administration & Medical Records	223,167	13,086 (2) 9,847 (4) 102 (4)	-	246,202
Utilities	87,517	-	-	87,517
Special Services	27,578	80 (4)	-	27,658
Medical Supplies & Oxygen	67,055	-	2,906 (5)	64,149
Taxes and Insurance	30,778	6,492 (3)	-	37,270
Legal Fees	-	-	-	-
Cost of Capital	251,481	7,040 (6) 8,133 (7)	3,527 (1) 13,086 (2) 10,954 (4) 4,846 (6)	234,241
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	2,303,678	46,186	35,319	2,314,545
Ancillary	9,072	-	-	9,072

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Period July 1, 1998 Through September 30, 1998
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	599,043	3,527 (1)	6,492 (3)	588,176
		2,906 (5)	481 (4)	
			2,194 (6)	
			<u>8,133 (7)</u>	
Total Operating Expenses	<u>\$2,911,793</u>	<u>\$52,619</u>	<u>\$52,619</u>	<u>\$2,911,793</u>
Total Patient Days	<u>16,570</u>	<u></u>	<u></u>	<u>16,570</u>
Total Beds	<u>120</u>			

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Periods October 1, 1998 Through December 31, 1998
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,196,769	\$ 763 (4) 230 (4)	\$ -	\$1,197,762
Dietary	237,770	323 (4)	-	238,093
Laundry	45,631	-	-	45,631
Housekeeping	80,195	-	-	80,195
Maintenance	55,737	90 (4)	-	55,827
Administration & Medical Records	223,167	13,086 (2) 9,847 (4) 102 (4)	-	246,202
Utilities	87,517	-	-	87,517
Special Services	27,578	80 (4)	-	27,658
Medical Supplies & Oxygen	67,055	-	2,906 (5)	64,149
Taxes and Insurance	30,778	6,492 (3)	-	37,270
Legal Fees	-	-	-	-
Cost of Capital	250,474	7,040 (6) 7,784 (8)	3,527 (1) 13,086 (2) 10,954 (4) <u>4,846 (6)</u>	232,885
Subtotal	2,302,671	45,837	35,319	2,313,189
Ancillary	9,072	-	-	9,072

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Periods October 1, 1998 through December 31, 1998
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non Allowable	600,050	3,527 (1) 2,906 (5)	6,492 (3) 481 (4) 2,194 (6) <u>7,784 (8)</u>	589,532
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,911,793</u>	<u>\$52,270</u>	<u>\$52,270</u>	<u>\$2,911,793</u>
Total Patient Days	<u>16,570</u>	<u>-</u>	<u>-</u>	<u>16,570</u>
Total Beds	<u>120</u>			

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Periods January 1, 1999 through September 30, 1999
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,196,769	\$ 763 (4) 230 (4)	\$ -	\$1,197,762
Dietary	237,770	323 (4)	-	238,093
Laundry	45,631	-	-	45,631
Housekeeping	80,195	-	-	80,195
Maintenance	55,737	90 (4)	-	55,827
Administration & Medical Records	223,167	13,086 (2) 9,847 (4) 102 (4)	-	246,202
Utilities	87,517	-	-	87,517
Special Services	27,578	80 (4)	-	27,658
Medical Services & Oxygen	67,055	-	-	67,055
Taxes and Insurance	30,778	6,492 (3)	-	37,270
Legal Fees	-	-	-	-
Cost of Capital	250,474	7,784 (9) 7,040 (6)	3,527 (1) 13,086 (2) 10,954 (4) 4,846 (6)	232,885
Subtotal	2,302,671	45,837	32,413	2,316,095
Ancillary	9,072	-	-	9,072

NATIONAL HEALTHCARE - MAULDIN

Summary of Costs and Total Patient Days

For the Cost Report Period Ended December 31, 1998

For the Contract Periods January 1, 1999 through September 30, 1999

AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	600,050	3,527 (1)	6,492 (3) 481 (4) 2,194 (6) <u>7,784 (9)</u>	586,626
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,911,793</u>	<u>\$49,364</u>	<u>\$49,364</u>	<u>\$2,911,793</u>
Total Patient Days	<u>19,872</u>	<u>-</u>	<u>-</u>	<u>19,872</u>
Total Beds	<u>120</u>			

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Period Beginning October 1, 1999
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,196,769	\$ 763 (4) 230 (4)	\$ -	\$1,197,762
Dietary	237,770	323 (4)	-	238,093
Laundry	45,631	-	-	45,631
Housekeeping	80,195	-	-	80,195
Maintenance	55,737	90 (4)	-	55,827
Administration & Medical Records	223,167	13,086 (2) 9,847 (4) 102 (4)	-	246,202
Utilities	87,517	-	-	87,517
Special Services	33,008	80 (4)	-	33,088
Medical Services & Oxygen	67,269	-	-	67,269
Taxes and Insurance	30,778	6,492 (3)	-	37,270
Legal Fees	-	-	-	-
Cost of Capital	247,262	7,040 (6) 7,319 (10)	3,527 (1) 13,086 (2) 10,954 (4) 4,846 (6)	229,208
Subtotal	2,305,103	45,372	32,413	2,318,062
Ancillary	9,072	-	-	9,072

NATIONAL HEALTHCARE - MAULDIN
Summary of Costs and Total Patient Days
For the Cost Report Period Ended December 31, 1998
For the Contract Period Beginning October 1, 1999
AC# 3-MLD-M8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	597,618	3,527 (1)	6,492 (3) 481 (4) 2,194 (6) <u>7,319 (10)</u>	584,659
	<u> </u>	<u> </u>		<u> </u>
Total Operating Expenses	<u>\$2,911,793</u>	<u>\$48,899</u>	<u>\$48,899</u>	<u>\$2,911,793</u>
 Total Patient Days	 <u>19,872</u>	 <u>-</u>	 <u>-</u>	 <u>19,872</u>
 Total Beds	 <u>120</u>			

NATIONAL HEALTHCARE - MAULDIN
Adjustment Report
Cost Report Period Ended December 31, 1998
AC# 3-MLD-M8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$509,734	
	Nonallowable	3,527	
	Accumulated Depreciation	16,402	
	Fixed Assets		\$526,136
	COC-Depreciation		3,527
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	13,086	
	Cost of Capital		13,086
	To reclassify expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
3	Property Tax Expense	6,492	
	Nonallowable		6,492
	To adjust Property Tax HIM-15, Section 2300		
4	Nursing	763	
	Restorative	230	
	Dietary	323	
	Maintenance	90	
	Administration	9,847	
	Medical Records	102	
	Therapy	80	
	Nonallowable		481
	Cost of Capital		10,954
	To adjust Home Office Cost HIM-15-1, Section 2304		
5	Nonallowable	2,906	
	Medical Supplies		2,906
	To remove special ancillary services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 7/1/98 - 12/31/98)		

NATIONAL HEALTHCARE - MAULDIN
Adjustment Report
Cost Report Period Ended December 31, 1998
AC# 3-MLD-M8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Amortization Expense	7,040	
	Nonallowable		2,194
	Depreciation Expense		4,846
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
7	Cost of Capital	8,133	
	Nonallowable		8,133
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 7/1/98 - 9/30/98)		
8	Cost of Capital	7,784	
	Nonallowable		7,784
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
9	Cost of Capital	7,784	
	Nonallowable		7,784
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		

NATIONAL HEALTHCARE - MAULDIN
Adjustment Report
Cost Report Period Ended December 31, 1998
AC# 3-MLD-M8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	7,319	7,319
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period beginning 10/1/99)		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$601,642</u>	<u>\$601,642</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

NATIONAL HEALTHCARE - MAULDIN
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended December 31, 1998
For the Contract Period July 1, 1998 Through September 30, 1998
AC# 3-MLD-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>120</u>
Deemed Asset Value	3,962,640
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(259,849)</u>
Deemed Depreciated Value	3,702,791
Market Rate of Return	<u>.070</u>
Total Annual Return	259,195
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	130,663
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	130,663
Depreciation Expense	112,911
Amortization Expense	1,758
Capital Related Income Offsets	(11,091)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	234,241
Total Patient Days (Actual)	<u>16,570</u>
Cost of Capital Per Diem	\$ <u><u>14.14</u></u>

NATIONAL HEALTHCARE - MAULDIN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended December 31, 1998
 For the Contract Periods October 1, 1998 Through December 31, 1998
 AC# 3-MLD-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>120</u>
Deemed Asset Value	4,088,280
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(259,849)</u>
Deemed Depreciated Value	3,828,431
Market Rate of Return	<u>.067</u>
Total Annual Return	256,505
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	129,307
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	129,307
Depreciation Expense	112,911
Amortization Expense	1,758
Capital Related Income Offsets	(11,091)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	232,885
Total Patient Days (Actual)	<u>16,570</u>
Cost of Capital Per Diem	\$ <u>14.05</u>

NATIONAL HEALTHCARE - MAULDIN
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended December 31, 1998
 For the Contract Periods January 1, 1999 Through September 30, 1999
 AC# 3-MLD-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>120</u>
Deemed Asset Value	4,088,280
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(259,849)</u>
Deemed Depreciated Value	3,828,431
Market Rate of Return	<u>.067</u>
Total Annual Return	256,505
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	129,307
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	129,307
Depreciation Expense	112,911
Amortization Expense	1,758
Capital Related Income Offsets	(11,091)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	232,885
Total Patient Days (Minimum 90% Occupancy at 7 th Month)	<u>19,872</u>
Cost of Capital Per Diem	\$ <u><u>11.72</u></u>

NATIONAL HEALTHCARE - MAULDIN
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended December 31, 1998
For the Contract Period Beginning October 1, 1999
AC# 3-MLD-M8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>120</u>
Deemed Asset Value	4,215,600
Improvements Since 1981	-
Accumulated Depreciation at 12/31/98	<u>(259,849)</u>
Deemed Depreciated Value	3,955,751
Market Rate of Return	<u>.063</u>
Total Annual Return	249,212
Number of Days in Period	<u>184/365</u>
Adjusted Annual Return	125,630
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	125,630
Depreciation Expense	112,911
Amortization Expense	1,758
Capital Related Income Offsets	(11,091)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	229,208
Total Patient Days (Minimum 90% Occupancy at 7 th Month)	<u>19,872</u>
Cost of Capital Per Diem	\$ <u>11.53</u>